



San Diego City Attorney **MICHAEL J. AGUIRRE**

NEWS RELEASE

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CITY ATTORNEY CALLS ON BANK OF AMERICA TO IMPLEMENT A VOLUNTARY FORECLOSURE MORATORIUM ON SAN DIEGO SUB-PRIME MORTGAGES

San Diego, CA—In a letter sent today to attorneys for Bank of America, San Diego City Attorney Michael Aguirre urged the financial giant to declare a foreclosure moratorium on certain Countrywide sub-prime mortgages, which the lending institution acquired after its purchase of Countrywide Financial Corporation on July 1, 2008.

“During the proposed moratorium, Bank of America would agree to make reasonable efforts to contact the borrower and take all reasonable steps to resolve their differences, including participation in mediation before an independent mediator selected by the parties “said City Attorney Aguirre. “The timing is very important, in light of HUD’s announcement that the \$300 billion FHA voluntary program to prevent foreclosures may not be operational for a year.”

The letter, which was faxed to Bank of America’s legal counsel in Los Angeles, states in part:

I am requesting that your client agree to a voluntary moratorium halting all foreclosure activities within the City of San Diego related to certain Countrywide loans where Bank of America, through its acquisition, either still holds the loans in its portfolio or has the servicing rights to the loans. Specifically, the proposed moratorium would address only those Countrywide loans where the residence is the borrower’s primary residence and the following four factors exist:

1. The loan is an adjustable rate mortgage with an introductory period of three years or less;
2. The loan has an introductory or “teaser” interest rate that is at least three percent lower than the fully indexed rate;
3. The borrower has a debt-to-income ratio that would have exceeded fifty percent under traditional underwriting standards utilizing the debt due under the fully indexed rate and not the debt due under an introductory or “teaser” rate; and

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4. The loan-to-value ratio is one-hundred percent or the loan carries a substantial prepayment penalty or a prepayment penalty that extends beyond the introductory period.

During the proposed moratorium, Bank of America would agree to make all reasonable efforts to contact the borrower and take all reasonable steps to resolve their differences, including participation in mediation before an independent mediator selected by the parties. Further, during the proposed moratorium, Bank of America would agree to allow the borrower to make reasonable payments to continue living in the home, with the difference between what the borrowers pays per month and the actual monthly payment being added to the principle of the loan. Foreclosure activities may resume once all reasonable efforts have been expended.

In the letter, Aguirre acknowledges that Bank of America did not create the problems associated with Countrywide's predatory lending practices. However, Aguirre believes Bank of America is in a unique position to rectify Countrywide's past conduct as well as further enhance its standing as a community leader.

On July 23, 2008, the City Attorney filed a civil complaint in San Diego Superior Court against Countrywide Financial Corporation and Bank of America alleging that Countrywide engaged in a "pattern of unlawful, fraudulent or unfair predatory real estate lending practices" that has caused numerous City of San Diego residents "to be in jeopardy of losing their homes through foreclosures." The legal action also calls for injunctive relief and civil penalties.

Aguirre said he is asking a court to prevent Countrywide from initiating or advancing any foreclosure on any residential sub-prime mortgages involving properties which are owner-occupied in the City of San Diego. He contends that these borrowers are victims of fraud and were roped into unconventional sub-prime loans when they probably could have qualified for a conventional fixed-rate mortgage.

The complaint filed by the City Attorney's Consumer & Environmental Protection Unit alleges that Countrywide made loans based predominantly on the foreclosure or liquidation value of a borrower's collateral. The company also engaged in "loan flipping" by inducing the borrower to repeatedly refinance a loan in order to charge high points and fees. Countrywide also engaged in fraud to conceal the true nature of the mortgage loan obligation.

The lawsuit further alleges that the goal of Countrywide's unlawful, fraudulent, or unfair "predatory" lending practices was to increase the Company's share of the national mortgage market by mass producing loans for sale on the secondary market. Countrywide originated loans with little or no regard for the borrowers' financial ability to afford the loans or to sustain homeownership.

The lawsuit contends that Countrywide was motivated to engage in the unlawful lending practices for the personal financial benefit of several named defendants whose profit exceeded \$800 million.

To view the correspondence and civil lawsuit against Countrywide, visit www.sandiegocityattorney.org, click "Significant Reports and Legal Documents." ###